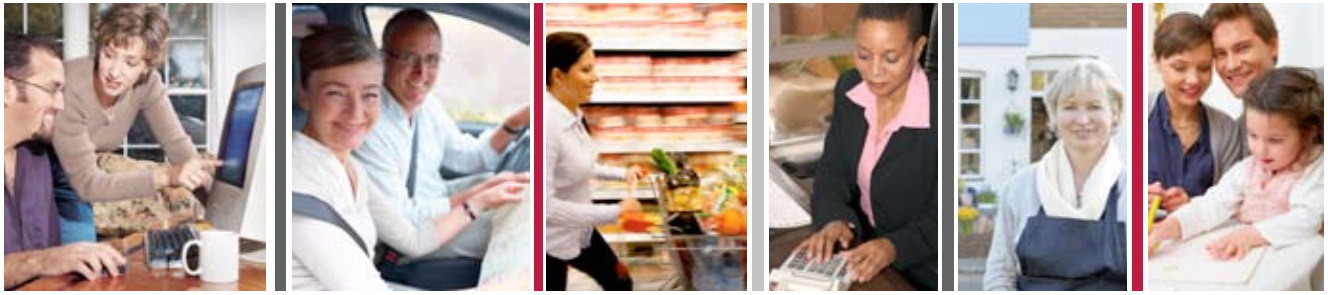


MANAGE YOUR MONEY



Lesson 6: Your Net Worth and Financial Records



In the first part of this lesson you will focus on your net worth and how you own property. The second part of the lesson will help you collect and organize your important financial records.

Use Worksheet 6-A (page 6-9) to calculate your net worth. It may take a few days to gather the information you need to complete the form. However, you can use information from “Know What You Owe” (Lesson 2, pages 2-5 and 2-6) when listing the dollar value of liabilities on the net worth form.

Net Worth

You have already taken important steps to manage your income, credit, and spending as you completed the activities and worksheets in the first five lessons. It also is critical to look at your overall financial situation to determine if you are getting ahead from one year to the next. A “net worth statement” helps you determine “where you stand” and serves as a measure of your overall financial position.

The net worth statement is a summary of your financial position at a particular point in time. It is a list of all your financial assets (what you own) and all your financial liabilities (the debts you owe). Net worth is the dollar amount you have when you subtract everything you OWE from everything you OWN. You will need this information when you:

- Borrow money
- Apply for a home mortgage
- Determine insurance needs
- Plan your retirement
- Write your will and determine estate planning needs in the event of death, divorce, or re-marriage
- Settle a divorce



What Are Your Assets?

Assets are any financial or material possessions that have monetary value. On the net worth statement the value is listed at the current market value, not what you paid for it. Assets include things such as:

- Cash on hand or in savings accounts (including certificates of deposit or checking accounts)
- Stocks, bonds, mutual funds
- Cash value (not face value) of life insurance
- Money others owe to you
- Annuities, retirement plans
 - Employee benefits such as company stocks
 - Your home
 - Other real estate and business interests
 - Automobiles, trucks, other vehicles
 - Household furnishings, antiques, jewelry, books, coins, artworks, etc.



What Are Your Liabilities?

Liabilities are the financial obligations or debts you owe to other persons or institutions. The information you gathered for the “Know What You Owe” worksheet (Lesson 2, pages 2-5 and 2-6) should help you fill out this portion of the net worth form. Included are:

- Mortgages
- Installment loans (cash advances, auto, etc.)
- Department store and credit card debts
- Taxes owed
- Unpaid bills (medical, utilities, etc.)
- Any other liabilities

Figure Your Net Worth

Total your assets and your liabilities. Subtract the liabilities from the assets. The result is your financial net worth.

Now that you have taken the time to complete these worksheets, how do you feel about your financial situation? Happy? Relieved? Discouraged? If you are a bit discouraged, try to realize that a negative net worth statement may easily happen to persons just starting out on their own or to young families. Just as a photograph shows how you looked at one specific time, so too, the net worth statement reflects your financial situation at only one specific time. It should be updated at least once a year or as your financial situation changes.

If you are not satisfied with your net worth and want it to grow, develop a plan to increase it. More income, lower living expenses, and/or more investment growth are some alternatives. You may want to return to your list of goals from Lesson 1 (page 1-8) and add this goal.

To increase your savings you may have to cut spending in some areas. Also, make sure your savings and investments are yielding the best financial return for your situation. You may want to reduce your present debt level by making larger regular payments and not adding any other debts. These are more specific examples that may result in increasing your net worth.

If you are like most people, your overall goal will be to increase your net worth each year. Developing a financial plan means taking control of what you have now and disciplining yourself to manage your money to reach the goals you set for you and your family.



The net worth statement for a couple includes “his,” “hers,” and “their” assets. For estate planning and preparing a will (and in a divorce settlement), the way in which you own property must be considered.

Individual (or sole) ownership (S) refers to property that has one owner. When the owner dies, the property passes to heirs according to the provisions of the will, or if there is no will, according to the laws of the state or by beneficiary designation.

Joint Tenancy with Rights of Survivorship (JTRS) means that property is owned by two or more people (called “tenants” in the legal documents). When one tenant dies, that share passes automatically to the surviving tenant(s). A joint checking account would be an example.

Tenancy in Common (TC) refers to property owned by two or more tenants in equal or unequal shares. When one dies, the share is passed to the deceased’s heirs according to the will or state law.

Since April 4, 1985, **Tenancy by the Entirety (TE)** can’t be created in Ohio—although such deeds created before that date are still valid. In addition, Ohio does not recognize “community property,” a form of ownership held by a married couple in which each spouse owns an undivided one-half interest in most property acquired during marriage. However, if you own property in another state you need to become familiar with property ownership rights and responsibilities in that state.



Keeping Records in Order

Every family accumulates papers and records that are important to them. For many of us, however, getting those papers in order is like Mark Twain's old saying about the weather—"Everybody talks about it, but no one does anything about it."

The rest of this lesson focuses on having an efficient home filing system. It simplifies the record-keeping process by dividing it into three steps.

The process begins with a survey to help you evaluate your needs for a household record-keeping system. The next step is to determine which documents to save and how to categorize them for effective filing and retrieval.

The third step is to actually create or modify the system that best fits your household needs. Some important decisions are outlined to help you establish a customized system. The lesson concludes with suggestions for periodically revising and updating your household record-keeping system.

Benefits of a Record-Keeping System

Having a good system for keeping important records can save time, money, and effort. A good system can help you:

- Quickly find needed information on a day-to-day basis
- Help someone else locate important documents should you become unable to do so

Record-Keeping Survey

Take some time to answer these questions about your V.I.P. (Very Important Papers):

- | Yes | No | |
|-----|-----|---|
| ___ | ___ | 1. Can you quickly locate last year's income tax return? |
| ___ | ___ | 2. Do you know where your original Social Security card is? |
| ___ | ___ | 3. Do you have receipts to document last year's tax return? |
| ___ | ___ | 4. Do you have the account number, address, and phone number of all the credit cards in your wallet written down somewhere? |
| ___ | ___ | 5. Could a non-family member locate important information about what to do in case of an emergency? |
| ___ | ___ | 6. In the event of your death, could a family member/person responsible locate burial instructions and your will? |
| ___ | ___ | 7. Do you know where to find the insurance policy for your car? |
| ___ | ___ | 8. Can you quickly locate the warranties for your home appliances? |
| ___ | ___ | 9. If your house and its contents burned, could you provide your insurance agent with an accurate list of all the household goods to settle your claim? How about proof of purchase for costly items? |

If you answered "No" to two or more of these questions, it's time to make changes in your record keeping habits NOW!

- Organize your household financial activities such as budgeting, credit management, and investment planning
- Better handle emergency situations
- Plan for securing hard-to-replace documents
- Provide evidence of significant events (birth, marriage, etc.) or of an important financial transaction (such as a loan repayment or major purchase)
- Simplify the claims process if loss occurs from fire, theft, flood, or other insured casualty
- Prove ownership in a legal dispute (such as divorce, inheritance, etc.)

What Records Do YOU Need to Keep?

No single list of records will apply to every household. However, typical items are listed in the “What to Keep Where” chart on pages 6-4 and 6-5. Use the chart as a guide for organizing your records. Delete and add items to fit your situation.



What to Keep Where

Safe Deposit Box

- | | |
|---|--|
| <ul style="list-style-type: none"> • List of Important Papers and Their Location(s) • Adoption Papers • Birth Certificates • Bonds and Stock Certificates • Citizenship Papers • Death Certificates • Education Degrees/Certificates/Transcripts • Marriage/Divorce Documents • Military/Veteran's Documents | <ul style="list-style-type: none"> • Household Inventory • Property Titles and/or Deeds • Social Security Card Stubs • Stock/Bond Certificates • Past Tax Records • Passports • Will and Trust Documents • Other Important Legal Documents (such as contracts) |
|---|--|

Home Files (safe, fire-resistant place)

Addresses/Dates

- Business
- Personal
- Holiday Card List
- Magazine Subscriptions

Auto and Vehicles

- Titles
- Maintenance and Repair
- RVs
- Boats

Bank / Credit Union Records

- Checking Accounts
- Savings Accounts
- Loan Contracts

Employment Records

- Contracts
- Retirement Plans
- Pensions
- Social Security Records
- Fringe Benefits

(continued on page 6-5)

What to Keep Where (continued)

Home Files (safe, fire-resistant place)

Equipment and Appliances

- Warranties
- Use and Care Manuals

Financial Records

- Budget
- Net Worth Statement
- Records of Earnings
- Records of Expenditures
- Credit and Debit Card Numbers and Contact Information for Accounts
- Property Tax Records
- Receipts and Paid Bills
- Safe Deposit Box (Key and List of Contents)

Housing

- Mortgage Payments
- Lease and Rent Payments
- Capital Improvements
- Household Inventory (keep second copy in safe deposit box)
- Utilities
- Floor Plan
- Wiring Diagram

Income Tax

- Previous Returns
- Canceled Checks (related to taxes)
- Current Year Information, such as medical receipts, contributions, etc.

Insurance Policies

- Automobile
- Health
- Life
- Disability
- Homeowners
- Long-Term Care

Investments

- Annuities
- Bonds (Records of)
- Stocks (Records of)
- Real Estate Investments
- Other Investments

Organizations/Clubs

- Civic
- Business
- School
- Religious

Personal Records

- Education Records
- Marriage License
- Medical Records (copy)
- Military Records (copy)
- Pet Records
- Birth Certificate (copy)
- Divorce Papers (copy)
- Wills (copy)

Reference Materials

- Cleaning
- Crafts and Hobbies
- Other

Wills and Estate Planning

- Unsigned will(s)
- Letter of last instruction
- Advanced directives (Living Will, Powers of Attorney, etc.)
- Burial instructions

Where to Keep Your Records

Safe Deposit Box

As a general rule, put in your safe deposit box any record that is difficult, costly, or impossible to replace. These include (but are not limited to) original Social Security cards; adoption, birth, death, and marriage certificates; military papers; copy of household inventory; will and trust documents; list of the location of your important papers; passports; and titles to property (land, house, vehicle, etc.).

For convenient reference, you also may want to keep a copy of these in your home file. An alternative to a safe deposit box may be a fireproof safe at home. Unfortunately, few of these truly are “fire-proof” or “theft proof.”

Current Financial Records

You will need a place to keep monthly statements, bills, receipts, and notes of non-receipt cash payments (such as for vending machine purchases). A small file folder system works for many people. Some regularly write expenses in a home account book (available from OSU Extension) or enter them in a computer system.

Having a separate file for tax return documentation (taxable income, expenses for itemized deductions, etc.) can “pay off” when it is time to prepare the return.

Permanent Files

To keep your current financial files “current,” clean them out each year. Tax time is a convenient time to do this. Move important papers to your permanent filing system. As you sort items for tax reporting, discard what you no longer need. Transfer items you might need in the future to your permanent files. Items such as tax returns and bank statements are an example. For more information about how long to keep documents in your files, refer to “Household Record-Keeping Tips” (MM-08-2001), available from OSU Extension at <http://ohioline.osu.edu>.

If convenient filing space is limited, consider how often you refer to particular files. **Active files** include records used at least yearly, or records you

may need to review without much notice such as checking the number on an insurance policy. Keep them relatively handy. On the other hand, **inactive files** containing permanent or long-term items can be stored in a dry, out-of-the-way place in the home.

Mastering Your Records

Setting up a household filing system does take time. There is really no “right” or “wrong” way to do it. Every household faces different situations. You may need to experiment before you find the system that best fits your needs. However, you will need to make certain decisions before setting up a new system or improving the one you already have.

1. Decide on specific household locations for your current, active, and inactive records. Your “record center” might be as elaborate as a home office or as simple as a drawer in the kitchen or bedroom. It could be a file cabinet in the family room or a cardboard file box that goes in a closet. It would be ideal to have a nearby work space.
2. Decide which family member will take major responsibility for doing the record keeping. However, everyone in the family should cooperate and understand how the system works. Spouses might switch roles once a year to balance duties and to be sure each knows the record keeping details.
3. Develop a regular schedule for record keeping and stick to it. In the long run, a regular routine will reduce the time you need to spend.



Where Are Your Valuable Papers?

We have been discussing the importance of keeping complete records in this lesson. Could you or your family members now locate valuable records and papers for review? What about in the case of an emergency? Are those papers safe? If they are lost, stolen, or destroyed, would you be able to replace them?

OSU Extension's publication "Know Your Valuable Papers" (<http://ohioline.osu.edu>) provides a format to list all your valuable papers and their location. This will be very useful to you or your family members if papers are lost or destroyed.

You probably should make duplicate copies of this list when completed. Keep one copy in a safe deposit box or give it to a friend or relative away from your place of residence. Be sure to keep it updated, giving a "replacement copy" to those who also have the list.

Also keep an up-to-date household inventory or systematic list of all of your household possessions. Check with your insurance agent or broker for company requirements of proof of purchase and/or ownership of personal property items. In some cases, receipted bills or sales slips are required; in other cases, a written inventory and/or photographs are adequate documentation.

Organizing all of these documents, receipts, warranties, and other records may seem like a real chore to you right now. It will take time to gather everything together. But just think how much easier it will be to do it at a leisurely pace now, instead of in a panic during a crisis.

A time may come when other family members will need to manage things for you. Having all the necessary papers available for them will be a great help and will avoid potential problems. You might assemble these in a notebook that you update once or twice each year. Be sure to tell key family members the notebook's location so they can act in your behalf if there is an emergency.

Take the time right now to help yourself, your family, and others by taking charge and getting all of your important papers in order. You'll be glad you did! And, you will certainly feel a sense of accomplishment when the job is completed.



Importance of a Will and Advance Directives

A will is a legal document designating the transfer of your property and other assets after you die. If you die without a will to indicate your wishes ("intestate," as the law calls it), the court distributes your property according to state law.

It's also important to name a guardian for minor children in your will in case neither you nor your spouse is able and willing to act. If you do not name a guardian to care for your children, a judge will appoint one, and it may not be someone you would have chosen.

Life's end is not something most people want to dwell on. However, thinking about what will happen to your loved ones and your assets and personal possessions is important. Doing all you can to make their lives easier can give you peace of mind.

Other important documents include Advance Directives such as a Living Will, and Powers of Attorney (health care and financial). An Advance Directives packet of information and forms is available at Hospice and Palliative Care Partners of Ohio at: <http://www.hospiceohio.org>.

Action Steps for Lesson 6

Reading and thinking about your financial records and valuable papers are very important first steps. To be most useful in your situation, you need to “take action” to translate what you have learned into practice. We urge you to complete the following checklist to take action that is appropriate in your situation.

Action Steps	✓ Take Action Now
Check each step after you have completed it.	
<input type="checkbox"/> Completed Net Worth Statement.	
<input type="checkbox"/> Listed needed household records and where they are located.	
<input type="checkbox"/> Listed records in my/our safe deposit box.	
<input type="checkbox"/> Established/revised household record center.	
<input type="checkbox"/> Decided who is responsible for record-keeping for next six months.	
<input type="checkbox"/> Established regular schedule for record-keeping.	
<input type="checkbox"/> Set up “Active” home files.	
<input type="checkbox"/> Set up “Inactive” storage area for household records.	
<input type="checkbox"/> Put critical records and list of record location in notebook for trusted relative or friend to use in an emergency.	
<input type="checkbox"/> Told relative/friend where notebook is located.	

More Information and Sources

From Ohio State University Extension <http://ohioline.osu.edu>

Know Your Valuable Papers (L-237, rev.)

Household Record-Keeping Tips (MM-08)

Home Account Book

Keeping Track of Spending

From the Federal Consumer Information Center (FCIC) P.O. Box 100, Pueblo, CO 81002; Search household records at www.pueblo.gsa.gov

Prochaska-Cue, K., N. Frecks, L. Manning, & S. Preston. 2009. *File it Easy, Find it Fast*. University of Nebraska–Lincoln Extension. <http://extension.unl.edu>

Wright, P., P. K. Hall, & R. Cunningham, 2003. *Property Ownership, Section 3 in Estate Planning Considerations*, Ohio State University Extension. <http://ohioline.osu.edu>

The End!

Congratulations! You’ve reached the end of your “self-study” course. For information on a wide variety of home and family topics, contact your local OSU Extension office or visit <http://extension.osu.edu>.

Visit OSU Extension at <http://extension.osu.edu> and eXtension at <http://extension.org>

Manage Your Money is a six-part self-study course. The lessons include:

- | | |
|------------------------------|---|
| 1. Getting Started | 4. How Much Credit Can You Afford? |
| 2. Where Does Your Money Go? | 5. Develop Your Budget |
| 3. Stop Spending Leaks | 6. Your Net Worth and Financial Records |

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Manage Your Money is intended for personal use or for OSU Extension programs. Direct requests for other uses to Dave Scardena, The Ohio State University, College of Food, Agricultural, and Environmental Sciences, Communications and Technology. Phone: (614) 292-9607; e-mail: scardena.1@osu.edu.

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Worksheet 6-A: Net Worth Statement

To get a complete financial picture, compute your net worth at the same time each year to learn if you are getting ahead financially.

Your net worth statement is a comparison of what you own (assets) and what you owe (liabilities). It includes investments, values of inventories in a business (sole proprietorship or partnership), and other assets. What you owe will include all indebtedness incurred in providing for family living, as well as debts for investments and business (if a sole proprietor or partnership).

My/Our Financial Position on _____ 20____					
ASSETS (What I/We Own)	TYPE OF OWNERSHIP*	CURRENT VALUE			
		Self	Spouse	Joint	Total
Real Estate (Home)		\$	\$	\$	\$
Other					
Personal Property (Market Value)					
Automobile(s)/Vehicles					
Household Furnishings and Equipment					
Other (clothes, jewelry, etc.)					
Other					
Other					
Savings and Investments					
Savings Accounts/CDs					
Savings Bonds					
Life Insurance (Cash Value)					
Annuities, IRAs, Keogh					
Equity in Retirement Programs					
Stocks and Bonds					
Mutual Funds					
Other					
Other					
Cash					
On Hand					
In Checking Account					
Accounts Receivable (owed to you)					
Business Inventory					
TOTAL ASSETS		\$	\$	\$	\$

* S = Sole Ownership

TC = Tenancy in Common

JTRS = Joint Tenancy with Right of Survivorship

TE = Tenancy by the Entirety (not created in Ohio

since April 4, 1985; deeds created prior to that

date are still valid)

Date _____

LIABILITIES (What I/We Owe)	Self	Spouse	Joint	Total
Real Estate/Home Mortgage (Balance)	\$	\$	\$	\$
Other				
Installment Contracts (Balance Due)				
Vehicles				
Furnishings/Appliances				
Other				
Other				
Other				
Personal Loans (Balance Due)				
Education				
Medical				
Other (Education, life insurance, etc.)				
Other				
Charge Accounts (Balance Due)				
Business Liabilities				
Unpaid Bills				
Taxes (Property, income, etc.)				
Insurance Premiums				
Rent				
Utilities				
Other (Medical/dental, professional services, etc.)				
Other				
TOTAL LIABILITIES	\$	\$	\$	\$

NET WORTH

Total Assets	\$	\$	\$	\$
Minus Total Liabilities	-	-	-	-
TOTAL NET WORTH	\$	\$	\$	\$